

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Sebewaing Township	County Huron
Audit Date 3/31/05	Opinion Date 7/25/05	Date Accountant Report Submitted to State: 9/13/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Nietzke & Faupel, PC CPA's			
Street Address 41 E. Main Street		City Sebewaing	State MI
Accountant Signature <i>John E. Laikie</i> John E. Laikie		ZIP 48759	Date

**TOWNSHIP OF SEBEWAING
HURON COUNTY, MICHIGAN
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2005**

TOWNSHIP OF SEBEWAING

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ALLAN W. NIETZKE, CPA
DONALD C. FAUPEL, CPA
JEFFREY P. BUSHEY, CPA
BRIAN V. HAZARD, CPA

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INDEPENDENT AUDITOR'S REPORT

Honorable Township Board Members
Township of Sebewaing
Sebewaing, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Sebewaing, Huron County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Sebewaing, Huron County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sebewaing, Huron County, Michigan, as of March 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages ii through iii and 19 through 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Nietzke & Faupel, PC
NIETZKE & FAUPEL, P.C.
SEBEWAING, MICHIGAN

July 25, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Sebewaing Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The following points represent the most significant financial highlights for the year ended March 31, 2005. These points are discussed in further detail in this discussion and analysis.

- The fund balance in the general fund decreased from \$796,137 to \$743,224 during the past year. This is a decrease of \$52,913.
- State Revenue Sharing payments for the year totaled \$77,629. This was \$2,629 higher than the budgeted amount of \$75,000. For comparison, the State Revenue Sharing payments for fiscal year 2003-04 totaled \$83,715.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows a condensed view of the net assets as of March 31, 2005:

	Governmental Activities
Current assets	\$1,005,689
Noncurrent assets	891,735
Total assets	<u>\$1,897,425</u>
Current liabilities	\$ 120,832
Total liabilities	<u>\$ 120,832</u>
Net assets:	
Invested in capital assets	\$ 813,118
Unrestricted	<u>963,475</u>
Total net assets	<u>\$1,776,593</u>

Unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, ended the fiscal year with a balance of \$963,475. This is approximately 54% of the net assets for governmental activities.

The following table shows the changes of the net assets during the year ended March 31, 2005.

	<u>Governmental Activities</u>
Revenue:	
Program revenues:	
Charges for services	\$ 117,285
Operating grants & contributions	8,944
Capital grants & contributions	32,954
General revenues:	
Property taxes	531,255
State shared revenues	77,629
Unrestricted investment earnings	20,940
Miscellaneous	<u>11,816</u>
Total revenues	<u>800,823</u>
Expenses:	
General government	210,625
Public safety	170,535
Highways & public improvements	556,386
Library	92,833
Contribution to other government unit	<u>50,257</u>
Total expenses	<u>1,080,636</u>
Change in net assets	(279,813)
Net assets - Beginning	<u>2,056,406</u>
Net assets - Ending	<u>\$1,776,593</u>

Government Activities

This is the first year of implementation of GASB No. 34. Because of this, comparative information on a government-wide basis is not available for this year, but it will be presented in the Management's Discussion and Analysis for the year ending March 31, 2006.

Capital Assets

As of March 31, 2005, Sebawaing Township had a total of approximately \$813,118 (net of depreciation) invested in capital assets including land, building, and equipment.

Economic Factors and Next Years Budgets and Rates

The fiscal year budget for 2005-06 is at \$634,020, which is \$358,100 less than the 2004-05 fiscal year of \$992,120. In comparison the road fund had projects totaling \$536,492 for the fiscal year 2004-05 and the budget for 2005-06 road projects planned and budgeted amount to \$160,000. The property tax millage for the fiscal year 2005-06 is 6.9838 mills.

The Township of Sebawaing has agreed with the Village of Sebawaing to help pay for a portion of engineering fees for updating the roads surrounding the Lapeer Metal Stamping Plant. The Township share is not to exceed \$117,200. The Township has already contributed \$50,257 towards this project.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to Willet Osechger, Supervisor, or Kurt Bach, Township Clerk, P.O. Box 687, Sebawaing, MI 48759.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF SEBEWAING, HURON COUNTY, MICHIGAN

**STATEMENT OF NET ASSETS
MARCH 31, 2005**

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Current assets:	
Cash	\$ 940,228
Taxes receivable	22,602
Special assessment receivable - Canal dredging	1,151
Accounts receivable	74,521
Allowance for doubtful accounts	(54,541)
Prepaid insurance	21,728
Total current assets	<u>1,005,689</u>
Noncurrent assets:	
Investment in Sebewaing Harbor Commission	78,617
Nondepreciated assets	19,369
Capital assets	1,519,022
Less accumulated depreciation	<u>(725,273)</u>
Total noncurrent assets	<u>891,735</u>
TOTAL ASSETS	<u><u>1,897,425</u></u>
<u>LIABILITIES</u>	
Current liabilities:	
Bank overdraft	62,358
Accounts payable	58,474
Total current liabilities	<u>120,832</u>
TOTAL LIABILITIES	<u>120,832</u>
<u>NET ASSETS</u>	
Invested in capital assets	813,118
Unrestricted	963,475
TOTAL NET ASSETS	<u><u>\$ 1,776,593</u></u>

The accompanying notes are an integral
part of the financial statements.

[illegible]

TOWNSHIP OF SEBEWAING
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2005

	<u>GENERAL</u>	<u>EMERGENCY SERVICES</u>	<u>LIBRARY</u>	<u>FIRE EQUIPMENT SINKING</u>	<u>ROAD</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS						
Cash	\$ 742,354	\$ 9,257	\$ 74,258	\$ 114,359		\$ 940,228
Taxes receivable	22,602					22,602
Special assessment receivable - Canal dredging	1,151					1,151
Accounts receivable		74,521				74,521
Allowance for doubtful accounts		(54,541)				(54,541)
Prepaid insurance	8,396	10,387	2,945			21,728
Advance to other funds	22,120					22,120
TOTAL ASSETS	<u>\$ 796,623</u>	<u>\$ 39,625</u>	<u>\$ 77,203</u>	<u>\$ 114,359</u>		<u>\$ 1,027,810</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
Bank overdraft					\$ 62,358	\$ 62,358
Accounts payable	\$ 53,400	\$ 3,742	\$ 1,332		58,474	58,474
Advance from other funds			22,120		22,120	22,120
TOTAL LIABILITIES	<u>53,400</u>	<u>3,742</u>	<u>23,452</u>		<u>62,358</u>	<u>142,952</u>
FUND EQUITY:						
Restricted	22,120					22,120
Unrestricted	721,104	35,883	53,750	\$ 114,359	\$ (62,358)	862,738
TOTAL FUND EQUITY	<u>743,224</u>	<u>35,883</u>	<u>53,750</u>	<u>114,359</u>	<u>(62,358)</u>	<u>884,858</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 796,623</u>	<u>\$ 39,625</u>	<u>\$ 77,202</u>	<u>\$ 114,359</u>	<u>\$ -</u>	<u>\$ 1,027,810</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF SEBEWAING

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENTAL ACTIVITIES NET ASSETS MARCH 31, 2005

Total governmental fund balances	\$ 884,858
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$1,538,391 less the accumulated depreciation of \$725,273.	813,118
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Investment in Sebewaing Harbor Commission	78,617
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Net assets - governmental activities	<u>\$ 1,776,593</u>
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TOWNSHIP OF SEBEWAING
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	GENERAL	EMERGENCY SERVICES	LIBRARY	FIRE EQUIPMENT SINKING	ROAD	TOTAL GOVERNMENTAL FUNDS
REVENUE:						
Taxes	\$ 101,087	\$ 74,329	\$ 37,367	\$ 18,664	\$ 289,808	\$ 531,255
Intergovernmental	77,629	30,993	1,981			110,583
Fines			16,080			16,080
Charges for services		69,291				69,291
Miscellaneous	27,129	1,592	38,072	400	6,421	73,613
TOTAL REVENUE	205,845	176,205	93,480	19,064	306,229	800,823
EXPENDITURES:						
Township board	3,870					3,870
Supervisor	13,102					13,102
Elections	4,603					4,603
Assessor	9,959					9,959
Clerk	47,454					47,454
Board of review	1,081					1,081
Treasurer	12,507					12,507
Township hall and grounds	16,621					16,621
Drains at large	27,527					27,527
Zoning administrator	711					711
Airport	15,130					15,130
Emergency services		107,375				107,375
Library			89,586			89,586
Fire equipment sinking				201		201
Roads					552,176	552,176
Capital outlay	46,056	39,883	12,299			98,238
TOTAL EXPENDITURES	198,621	147,258	101,885	201	552,176	1,000,141
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	7,224	28,947	(8,405)	18,863	(245,947)	(199,318)
OTHER FINANCING SOURCES (USES)						
Operating transfer in			9,880			9,880
Operating transfer out	(9,880)					(9,880)
Contribution to other governmental unit	(50,257)					(50,257)
TOTAL OTHER FINANCING SOURCES (USES)	(60,137)		9,880			(50,257)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(52,913)	28,947	1,475	18,863	(245,947)	(249,575)
FUND BALANCE-APRIL 1	796,137	6,936	52,275	95,496	183,589	1,134,433
FUND BALANCE (DEFICIT)-MARCH 31	\$ 743,224	\$ 35,883	\$ 53,750	\$ 114,359	\$ (62,358)	\$ 884,858

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF SEBEWAING

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES MARCH 31, 2005

Net change in fund balances - governmental funds	\$ (249,575)
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost is allocated over their estimated useful lives
and reported as depreciation expense. This is the amount by which
depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 67,100	
Depreciation expense	<u>(93,329)</u>	(26,229)
Investment in Sebewaing Harbor Commission		7,400
Equity loss of Sebewaing Harbor Commission		(11,409)
Change in net assets of governmental activities		<u>\$ (279,813)</u>

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Township Operations:

The Township is located in Huron County, Michigan, and has approximately 3,000 residents. It is governed by a five person elected board and provides the following services to its residents: fire protection, ambulance service, highways and streets, library and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used in the Township are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Township has elected to implement the general provisions of the Statement in the current year.

Reporting Entity:

In evaluating how to define the Township of Sebewaing for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township of Sebewaing is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township of Sebewaing reporting entity.

(CONTINUED)

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Excluded from the reporting entity:

Unionville Sebewaing School District – This potential component unit has a separate elected board and provides educational services to residents of the local area. The School District is excluded from the reporting entity because the Township of Sebewaing does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Sebewaing Harbor Commission – The Township of Sebewaing along with the Village of Sebewaing created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Township of Sebewaing and the Village of Sebewaing along with the general public. Each governing body appointed three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Township of Sebewaing management has excluded the Harbor Commission from the reporting entity of the Township of Sebewaing. However, because of the financial interest and responsibility the Township of Sebewaing and the Village of Sebewaing equally share for the Harbor Commission, the Harbor Commission is being treated as a joint venture between the Township of Sebewaing and the Village of Sebewaing. The investment in the joint venture has been included in the General Fund as a capital outlay and further disclosures related to the investment in the joint venture are included in Note 5.

Government-Wide and Fund Financial Statements:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Township's general administrative services, public safety, highways and public improvements, and library, are classified as governmental activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Township of Sebewaing has no proprietary funds.

(CONTINUED)

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Township are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements. The Township of Sebewaing currently has no long-term debt.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Township.

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Township reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Special Revenue Funds – Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Township accounts for the following special revenue funds.

The Emergency Services Fund is a special revenue fund used to account for revenue from charges for service and current property taxes allocated to provide ambulance and fire fighting services to Township residents. The Library Fund is a special revenue fund used to account for revenue from state penal fines and current property taxes allocated to the operation of the Township of Sebewaing Library. The Fire Equipment Sinking Fund is a special revenue fund used to account for current property taxes allocated to purchase fire and ambulance equipment. The Road Fund is a special revenue fund used to account for revenue from current property taxes allocated to provide for maintenance and construction of Township of Sebewaing roads.

The Township reports no nonmajor fund types:

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds). All other outstanding balances between funds are reported as "due to/from other funds."

Other receivables at March 31, 2005 consist of property taxes, and billings for ambulance services. Taxes are deemed collectible in full. An allowance for doubtful accounts has been reported for ambulance service receivables.

Property Taxes:

Properties are assessed as of December 31, and the related property taxes become a lien on December 1, of the following year. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county tax rolls.

The delinquent real property taxes of the Township are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year.

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Capital Assets:

Capital assets, which include property, plant, and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

Property, plant, and equipment of the government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	7 to 40
Machinery and equipment	3 to 7
Books, videos, and DVD's	5

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2005 was \$93,329. Capital asset acquisitions in the governmental funds totaled \$67,100 for the year ended March 31, 2005. A summary of Governmental Fund capital assets at March 31, 2005, follows:

Land	\$ 19,369
Buildings	728,250
Equipment	790,772
Less accumulated depreciation	(725,273)
NET GOVERNMENTAL FUND CAPITAL ASSETS	<u>\$813,118</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 32,773
Public safety	<u>60,556</u>
Total depreciation expense – governmental activities	<u>\$ 93,329</u>

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(CONTINUED)

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 2 – BUDGET COMPLIANCE:

The Township of Sebewaing Board follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Township Act, prior to March 1, the Township of Sebewaing Clerk submits to the Township of Sebewaing Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Township Act requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse at the end of each fiscal year.
7. The Township of Sebewaing Board may authorize supplemental appropriations during the year. The budget was amended during the fiscal year.

P. A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township of Sebewaing expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Township of Sebewaing for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2005, the following expenditures were in excess of the amount appropriated for the year:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
GENERAL FUND:			
Drains at large	\$ 25,765	\$ 27,527	\$ 1,762
Zoning administrator	600	711	111
Contributions to other government unit		50,257	50,257
EMERGENCY SERVICES:			
Fire department	66,042	72,375	6,333
LIBRARY FUND	90,250	101,885	11,635
ROAD FUND	468,100	552,176	84,076

NOTE 3 – DETAIL NOTES ON ALL FUNDS:

A. The carrying amount of cash and deposits with financial institutions of the Township of Sebewaing amounted to \$877,871 at March 31, 2005. The total bank balance as of the same date was \$937,220. Deposits with financial institutions are categorized as follows:

(CONTINUED)

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 3 – DETAIL NOTES ON ALL FUNDS: (CONTINUED)

Amount insured by the FDIC	\$241,400
Uncollateralized	<u>695,416</u>
Total deposits with financial institutions	936,816
Cash on hand	
Total deposits and cash on hand	<u>\$937,220</u>

All deposits categorized as uncollateralized are the property of the Township of Sebewaing.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2005.

Michigan Compiled Laws Section 129.91 authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

B. The General Fund advanced \$70,120 to the Library for the purchase of a building that is adjacent to the Library in 1997. The Library used the additional space to expand the Library. The building also has residential rental apartment units. The terms of the loan are annual payments of at least \$6,000 including interest, at 4% per annum. The current balance is . An amount equal to the unpaid balance of the advance has been reserved in the General Fund's Fund Balance.

C. Property taxes are levied based on the taxable value of property located in the Township. Assessed value is established annually and equalized by the State at an estimated 50% of current market value. A comparison of the assessed and taxable property values for the 2004 tax levy is as follows:

	ASSESSED VALUE	TAXABLE VALUE
Real property-Regular roll	\$68,774,053	\$68,355,403
Personal property-Regular roll	<u>7,628,100</u>	<u>7,030,650</u>
TOTAL	<u>\$76,402,153</u>	<u>\$75,386,053</u>

D. The Township of Sebewaing has elected to be a reimbursing employer for purposes of unemployment insurance claims. The Township of Sebewaing reimburses the State of Michigan for all benefits charged.

(CONTINUED)

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 4 - PENSION PLAN - DEFINED CONTRIBUTION:

The Township of Sebewaing contributed to the Manulife Plan for Governmental Employees, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants benefits that may be allocated to such participant's account. As established by local ordinance, all elected officials, full-time library employees and ambulance service employees of the Township of Sebewaing must participate in the pension plan from the date they are officially elected or hired to their respective position. Contributions made by the Township of Sebewaing vest immediately. An employee who leaves the employment of the Township of Sebewaing is entitled to his or her contributions made by the Township of Sebewaing if vesting requirements are satisfied. No voluntary contributions are allowed and 100% of the contribution is made by the Township of Sebewaing. As determined by local ordinance, the Township of Sebewaing is required to contribute 7.5% of the employee's gross earnings to the pension plan.

The Township of Sebewaing total current year payroll was \$128,060 and the Township of Sebewaing total current year covered payroll was \$110,951 which includes elected officials, full-time library employees, and ambulance service employees.

During the year, the Township of Sebewaing's required and actual contributions amounted to \$7,847 which was 7.1% of its current-year covered payroll.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township of Sebewaing or its employees.

The Manulife Plan held no securities of the Township of Sebewaing or other related parties during the year or as of the close of the fiscal year ended March 31, 2005.

NOTE 5 - INVESTMENT IN JOINT VENTURE:

Currently, the Township of Sebewaing has invested \$78,617 in the Sebewaing Harbor Commission. The Sebewaing Harbor Commission is being treated as a joint venture because the Township of Sebewaing shares equal financial and oversight responsibility with the Village of Sebewaing. The investment in the Sebewaing Harbor Commission is accounted for using the equity method of accounting. The following is a statement of net assets of the Sebewaing Harbor Commission:

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 5 - INVESTMENT IN JOINT VENTURE: (CONTINUED)

	<u>MARCH 31,</u> <u>2005</u>
ASSETS:	
Cash	\$ 823
Due from Sebewaing Township	975
TOTAL CURRENT ASSETS	<u>1,798</u>
CAPITAL ASSETS - Land	<u>103,340</u>
OTHER ASSETS:	
Marina lease	75,100
Accumulated amortization	(4,417)
TOTAL OTHER ASSETS	<u>70,683</u>
TOTAL ASSETS	<u>175,821</u>
LIABILITIES:	
Due to Village of Sebewaing	18,366
Deferred Revenue	221
TOTAL LIABILITIES	<u>18,587</u>
NET ASSETS:	
Investment in capital assets	103,340
Unrestricted	53,894
TOTAL NET ASSETS	<u>\$157,233</u>

The Village of Sebewaing and the Township of Sebewaing, on an equal basis, formed the Sebewaing Harbor Commission to construct a marina. The Township and Village advanced funds to the Harbor Commission which was to be used for the purchase of land at the site of the marina.

NOTE 6 - RISK MANAGEMENT:

The Township of Sebewaing, Huron County, Michigan participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$3,100,076 for real and personal property losses and \$5 million for liability losses. The Township of Sebewaing, Huron County, Michigan is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(CONTINUED)

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 6 - RISK MANAGEMENT: (CONTINUED)

Worker's Compensation:

The Township of Sebewaing, Huron County, Michigan, participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Medical Insurance:

The Township of Sebewaing purchased commercial insurance coverage for medical insurance for the head librarian.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF SEBEWAING

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes:				
Current property tax	\$ 98,000	\$ 98,000	\$ 101,087	\$ 3,087
Intergovernmental:				
State revenue sharing:				
Constitutional & Statutory	75,000	75,000	77,629	2,629
Miscellaneous:				
Interest earnings	8,000	11,000	11,497	497
Miscellaneous	1,500	1,500	8,498	6,998
Rentals-Airport	2,000	2,000	3,701	1,701
Gasoline-Airport	6,000	6,000	3,433	(2,567)
Total miscellaneous	17,500	20,500	27,129	6,629
TOTAL REVENUE	190,500	193,500	205,845	12,345
EXPENDITURES:				
Township board:				
Salaries and wages	3,900	3,900	2,887	1,013
Taxes-FICA	100	100	256	(156)
Meetings and education	1,600	1,600	355	1,245
Mileage	250	250	44	206
Pension contribution	250	250	328	(78)
Total township board	6,100	6,100	3,870	2,230
Supervisor:				
Salaries and wages	6,350	6,350	5,903	447
Pension contribution	1,200	2,106	1,157	949
Meeting and education	3,000	3,000	1,230	1,770
Mileage	1,000	1,000	513	487
Miscellaneous	300	300	-	300
Assessment roll preparation	6,000	6,000	4,299	1,701
Professional Fees	1,000	1,000		1,000
Total supervisor	18,850	19,756	13,102	6,654
Elections:				
Salaries and wages	1,500	2,667	2,667	0
Supplies	1,000	1,225	1,228	(3)
Mileage	500	500	288	212
Repairs and maintenance	1,000	1,000		1,000
Miscellaneous	500	500	420	80
Total elections	4,500	5,892	4,603	1,289

TOWNSHIP OF SEBEWAING

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2005

EXPENDITURES: (CONTINUED)	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Assessor:				
Salaries and wages	8,800	8,800	8,789	11
Miscellaneous	2,000	2,000	1,170	830
Total assessor	<u>10,800</u>	<u>10,800</u>	<u>9,959</u>	<u>841</u>
Clerk:				
Salaries and wages	8,880	8,880	8,207	673
Wages - Deputy clerk	1,000	1,000	1,212	(212)
Taxes - FICA	250	250	-	250
Pension contribution	1,000	5,757	655	5,102
Meetings and education	1,000	1,000	-	1,000
Pension administrative fees	500	500	-	500
Supplies	6,000	6,000	3,542	2,458
Professional fees	6,000	6,000	1,925	4,075
Dues and memberships	2,000	2,000	2,429	(429)
Telephone	3,000	3,000	3,390	(390)
Mileage	500	500	-	500
Printing and publishing	3,000	3,000	1,898	1,102
Insurance	15,000	15,000	14,026	974
Miscellaneous	5,500	10,579	10,170	409
Total clerk	<u>53,630</u>	<u>63,466</u>	<u>47,454</u>	<u>16,012</u>
Board of review:				
Salaries and wages	1,000	1,000	980	20
Miscellaneous	200	200	-	200
Education	200	200	-	200
Mileage	100	100	67	33
Supplies	50	50	34	16
Total board of review	<u>1,550</u>	<u>1,550</u>	<u>1,081</u>	<u>469</u>
Board of appeals:				
Salaries and wages	300	300	-	300
Miscellaneous	100	100	-	100
Mileage	100	100	-	100
Total board of appeals	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>

TOWNSHIP OF SEBEWAING

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2005

EXPENDITURES: (CONTINUED)	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Treasurer:				
Salaries and wages	8,880	8,880	10,405	(1,525)
Wages - Deputy treasurer	250	250	34	216
Taxes - FICA	50	50	-	50
Pension contribution	1,000	1,000	848	152
Meetings and education	1,200	1,200		1,200
Supplies	1,500	2,219	146	2,073
Mileage	250	250	74	176
Miscellaneous	2,500	2,500	1,000	1,500
Total treasurer	<u>15,630</u>	<u>16,349</u>	<u>12,507</u>	<u>3,842</u>
Township hall and grounds:				
Supplies	1,000	1,000	326	674
Utilities	10,000	10,000	10,087	(87)
Repairs and maintenance	10,000	10,000	6,208	3,792
Miscellaneous	500	500		500
Total township hall and grounds	<u>21,500</u>	<u>21,500</u>	<u>16,621</u>	<u>4,879</u>
Drains at large:				
Contracted services	-	25,765	27,527	(1,762)
Zoning administrator:				
Salaries and wages	<u>600</u>	<u>600</u>	<u>711</u>	<u>(111)</u>
Airport:				
Gas and oil	6,000	6,000	6,437	(437)
Gas - mower	700	700	317	383
Telephone	750	750	615	135
Insurance	6,000	6,000	4,889	1,111
Utilities	2,500	2,500	2,063	437
Repairs and maintenance	3,000	3,000	91	2,909
Taxes-State sales	500	500	148	352
Miscellaneous	1,000	1,000	570	430
Total airport	<u>20,450</u>	<u>20,450</u>	<u>15,130</u>	<u>5,320</u>
Capital outlay:				
Clerk	7,400	7,400	2,042	5,358
Township hall and grounds	60,000	60,000	44,014	15,986
Airport	2,000	2,000		2,000
Total capital outlay	<u>69,400</u>	<u>69,400</u>	<u>46,056</u>	<u>23,344</u>
TOTAL EXPENDITURES	<u>223,510</u>	<u>262,128</u>	<u>198,621</u>	<u>63,507</u>

TOWNSHIP OF SEBEWAING

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(33,010)</u>	<u>(68,628)</u>	<u>7,224</u>	<u>75,852</u>
OTHER FINANCING (USES):				
Operating transfers out		(20,000)	(9,880)	10,120
Contribution to other governmental unit			<u>(50,257)</u>	<u>(50,257)</u>
TOTAL OTHER FINANCING (USES)		<u>(20,000)</u>	<u>(60,137)</u>	<u>(40,137)</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER (USES)	<u>(33,010)</u>	<u>(88,628)</u>	<u>(52,913)</u>	<u>35,715</u>
FUND BALANCE-APRIL 1	796,137	796,137	796,137	
FUND BALANCE-MARCH 31	<u>\$ 783,127</u>	<u>\$ 707,509</u>	<u>\$ 743,224</u>	<u>\$ 35,715</u>

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - EMERGENCY SERVICES FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>			<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUE:				
Taxes-Current property tax	\$ 75,400	\$ 75,400	\$ 74,329	\$ (1,071)
Intergovernmental:				
Grants from county	3,600	3,600	3,300	(300)
FEMA grant			27,693	27,693
Charges for services	45,000	45,000	69,291	24,291
Miscellaneous - Interest earnings			1,592	1,592
TOTAL REVENUE	<u>124,000</u>	<u>124,000</u>	<u>176,205</u>	<u>52,205</u>
EXPENDITURES:				
Ambulance :				
Salaries and wages	36,500	36,500	40,906	(4,406)
Taxes-FICA	1,000	1,000	32	968
Pension contribution	3,000	3,000	2,758	242
Supplies	8,500	8,500	6,513	1,987
Professional fees			650	(650)
Physicals and medical	200	200	82	118
Telephone	3,000	3,000	2,469	531
Insurance	5,500	5,500	5,921	(421)
Repairs and maintenance	6,000	6,000	1,822	4,178
Miscellaneous	800	800	224	576
Mileage	800	800	585	215
Education and training	4,000	4,000	1,560	2,440
Bad debts	3,000	3,000	-	3,000
Billing fee	5,000	5,000	6,428	(1,428)
Capital outlay	8,000	8,000	4,933	3,067
Total Ambulance	<u>85,300</u>	<u>85,300</u>	<u>74,883</u>	<u>10,417</u>
Fire Department:				
Salaries and wages	15,400	15,400	14,173	1,227
Taxes-FICA	2,000	2,000	1,547	453
Supplies	2,000	2,000	1,717	283
Professional fees	500	500	600	(100)
Telephone	500	500	629	(129)
Gas and oil	2,500	2,500	2,519	(19)
Insurance	9,500	16,260	9,929	6,331
Repairs and maintenance	5,000	5,000	2,762	2,238
Miscellaneous	100	2,482	2,509	(27)
Mileage	2,000	2,000	184	1,816
Dues and memberships	200	200	150	50
Physicals and medical	200	200	-	200
Education and training	2,000	2,000	706	1,294
Capital outlay	15,000	15,000	34,950	(19,950)
Total Fire Department	<u>56,900</u>	<u>66,042</u>	<u>72,375</u>	<u>(6,333)</u>
TOTAL EXPENDITURES	<u>142,200</u>	<u>151,342</u>	<u>147,258</u>	<u>4,084</u>

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - EMERGENCY SERVICES FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(18,200)</u>	<u>(27,342)</u>	<u>28,947</u>	<u>56,289</u>
OTHER FINANCING SOURCES:				
Operating transfers in		20,000		(20,000)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(18,200)</u>	<u>(7,342)</u>	<u>28,947</u>	<u>36,289</u>
FUND BALANCE-APRIL 1	6,936	6,936	6,936	
FUND BALANCE(DEFICIT)-MARCH 31	<u>\$ (11,264)</u>	<u>\$ (406)</u>	<u>\$ 35,883</u>	<u>\$ 36,289</u>

TOWNSHIP OF SEBEWAING

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - LIBRARY FUND FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUE:				
Taxes-Current property tax	\$ 37,000	\$ 37,000	\$ 37,367	\$ 367
Intergovernmental:				
State grant	3,600	3,600	1,961	(1,639)
Fines:				
Penal and book fines	18,000	18,000	16,080	(1,920)
Miscellaneous:				
Miscellaneous	1,450	1,450	3,358	1,908
Interest earnings	800	800	1,030	230
Contributions from private sources	3,000	3,000	8,944	5,944
Videos	5,500	5,500	4,922	(578)
Rent income - apartments	20,000	20,000	19,818	(182)
TOTAL REVENUE	<u>89,350</u>	<u>89,350</u>	<u>93,480</u>	<u>4,130</u>
EXPENDITURES:				
Salaries and wages	36,800	36,800	34,384	2,416
Employee benefits	14,000	14,000	13,786	214
Pension contribution	4,000	4,000	3,046	954
Supplies	3,000	3,000	3,135	(135)
Books, magazines and periodicals	9,225	9,225	10,499	(1,274)
Professional fees	1,200	1,200	1,350	(150)
Library participation fee	2,000	2,000	1,950	50
Telephone	1,700	1,700	2,429	(729)
Technology				
Mileage	200	200	110	90
Insurance	3,200	3,200	3,870	(670)
Interest expense	1,125	1,125	1,125	-
Utilities	4,000	4,000	4,478	(478)
Repairs and maintenance	1,000	1,000	173	827
Miscellaneous	300	300	532	(232)
Capital outlay	1,500	1,500	12,299	(10,799)
Rental expenses-apartments	7,000	7,000	8,719	(1,719)
TOTAL EXPENDITURES	<u>90,250</u>	<u>90,250</u>	<u>101,885</u>	<u>(11,635)</u>
EXCESS OF REVENUE (UNDER)				
EXPENDITURES	<u>(900)</u>	<u>(900)</u>	<u>(8,405)</u>	<u>(7,505)</u>
OTHER FINANCING SOURCES:				
Operating transfer in	-	-	9,880	9,880
EXCESS OF REVENUE AND OTHER				
SOURCES OVER (UNDER)				
EXPENDITURES	<u>(900)</u>	<u>(900)</u>	<u>1,475</u>	<u>2,375</u>
FUND BALANCE-APRIL 1	52,275	52,275	52,275	
FUND BALANCE-MARCH 31	<u>\$ 51,375</u>	<u>\$ 51,375</u>	<u>\$ 53,750</u>	<u>\$ 2,375</u>

TOWNSHIP OF SEBEWAING

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - FIRE EQUIPMENT SINKING FUND FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUE:				
Taxes:				
Current property tax	\$ 18,900	\$ 18,900	\$ 18,664	\$ (236)
Miscellaneous:				
Interest earnings			400	400
TOTAL REVENUE	<u>18,900</u>	<u>18,900</u>	<u>19,064</u>	<u>164</u>
EXPENDITURES:				
Professional fees	300	300	201	99
TOTAL EXPENDITURES	<u>300</u>	<u>300</u>	<u>201</u>	<u>99</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>18,600</u>	<u>18,600</u>	<u>18,863</u>	<u>263</u>
FUND BALANCE-APRIL 1	95,496	95,496	95,496	
FUND BALANCE-MARCH 31	<u>\$ 114,096</u>	<u>\$ 114,096</u>	<u>\$ 114,359</u>	<u>\$ 263</u>

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE-
BUDGET AND ACTUAL - ROAD FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes - Current property tax	\$ 304,000	\$ 304,000	\$ 299,808	\$ (4,192)
Miscellaneous - Interest earnings	<u>16,300</u>	<u>16,300</u>	<u>6,421</u>	<u>(9,879)</u>
TOTAL REVENUE	<u>320,300</u>	<u>320,300</u>	<u>306,229</u>	<u>(14,071)</u>
EXPENDITURES:				
Professional fees	100	100	300	(200)
Road brining	8,000	8,000	15,384	(7,384)
Brush spraying	1,000	1,000		1,000
Contributions to County Road Commission	459,000	459,000	536,492	(77,492)
TOTAL EXPENDITURES	<u>468,100</u>	<u>468,100</u>	<u>552,176</u>	<u>(84,076)</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(147,800)</u>	<u>(147,800)</u>	<u>(245,947)</u>	<u>(98,147)</u>
FUND BALANCE-APRIL 1	183,589	183,589	183,589	
FUND BALANCE (DEFICIT)-MARCH 31	<u>\$ 35,789</u>	<u>\$ 35,789</u>	<u>\$ (62,358)</u>	<u>\$ (98,147)</u>



Nietzke & Faupel, PC

Members of: Michigan Association of Certified Public Accountants • American Institute of Certified Public Accountants

ALLAN W. NIETZKE, CPA
DONALD C. FAUPEL, CPA
JEFFREY P. BUSHEY, CPA
BRIAN V. HAZARD, CPA

CPA's On Your Team

To the Honorable Township Board
Township of Sebewaing, Huron County
Sebewaing, Michigan 48759

The following comments relate to situations brought to our attention during the course of our recent audit of the financial statements of the Township of Sebewaing, Sebewaing, Michigan, for the year ended March 31, 2005, and are submitted for your evaluation and consideration. We would like to emphasize that our audit was conducted for the purpose of expressing opinions on the aforementioned financial statements, therefore, the following comments are not necessarily all inclusive.

INVESTMENT POLICY UPDATE

In March 2003, the General Accounting Standards Board (GASB) issued GASB Statement #40, Deposits and Investment Risk Disclosures. GASB Statement #40 rescinds and supercedes GASB #3 disclosures while adding additional required disclosures.

GASB Statement #40 is effective for periods beginning after June 15, 2004. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. This statement requires a brief description of the deposit or investment policies that are related to the risks that GASB Statement #40 requires to be disclosed, including custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

BUDGET AND BUDGETARY COMPLIANCE

During our audit, we found a few instances where the Township was not in compliance with P.A. #621 regarding budgeting procedures. The Act provides that a local unit of government not incur expenditures in excess of the amount budgeted. During the year ended March 31, 2005 the Township incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted as follows:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
GENERAL FUND:			
Drains at large	\$25,765	\$27,527	\$ 1,762
Zoning administrator	600	711	111
Contributions to other gov't unit		50,257	50,257

EMERGENCY SERVICES:

Fire department	66,042	72,375	6,333
LIBRARY FUND	90,250	101,885	11,635
ROAD FUND	468,100	552,176	84,076

A final requirement of P.A. #621 is that the Township's budget be balanced. This means that the total estimated revenues including any available surplus from previous years equal or exceed estimated expenditures. In the Emergency Services Fund, for the year ended March 31, 2005, the Township budgeted estimated expenditures of \$151,342 and estimated revenue and transfers of \$144,000. Budgeted expenditures exceeded budgeted revenue by \$7,342. The available fund balance carried over from previous years was only \$6,936. As a result, the budget showed a projected fund deficit of \$(406) as of March 31, 2005.

In order to avoid incurring expenditures in excess of the appropriated amounts, the Act requires that the budget be amended when necessary. This would include reducing the budgeted amount if actual revenues are less than the estimated revenues originally budgeted, and increasing the budget to allow expenditures in excess of the original budget if excess amounts are available for transfer within the fund or if additional revenues become available. This can only be done if there are periodic comparisons between budget and actual figures throughout the year. We recommend that monthly comparisons be made between budgeted and year-to-date actual revenue and expenditures. If it appears there are going to be unfavorable variances between the budgeted and actual year-to-date figures, the budget should be amended to eliminate the variance.

DEFICIT FUND BALANCE

P. A. #275 of 1980 prohibits state and local governments from accumulating a fund deficit in any of the governmental funds. During the fiscal year the Road Fund received \$306,230 in revenue. The township board approved and incurred expenditures in the amount of \$552,177. The Road Fund had an accumulated unreserved fund balance at the beginning of the year of \$183,589. As a result, the Road Fund ended the fiscal year with a fund deficit in the amount of \$(62,357). The Township will need to develop an action plan to alleviate the fund deficit in the Road Fund.

The above recommendations are being made in an effort to improve the Township's system of record keeping and to aid the Township in conforming to State requirements. If you have any questions regarding these recommendations, please contact us. We are available to assist you with implementing any of the aforementioned recommendations.

Nietzke & Faupel, PC

NIETZKE & FAUPEL, P.C.
Sebawaing, Michigan

July 25, 2005